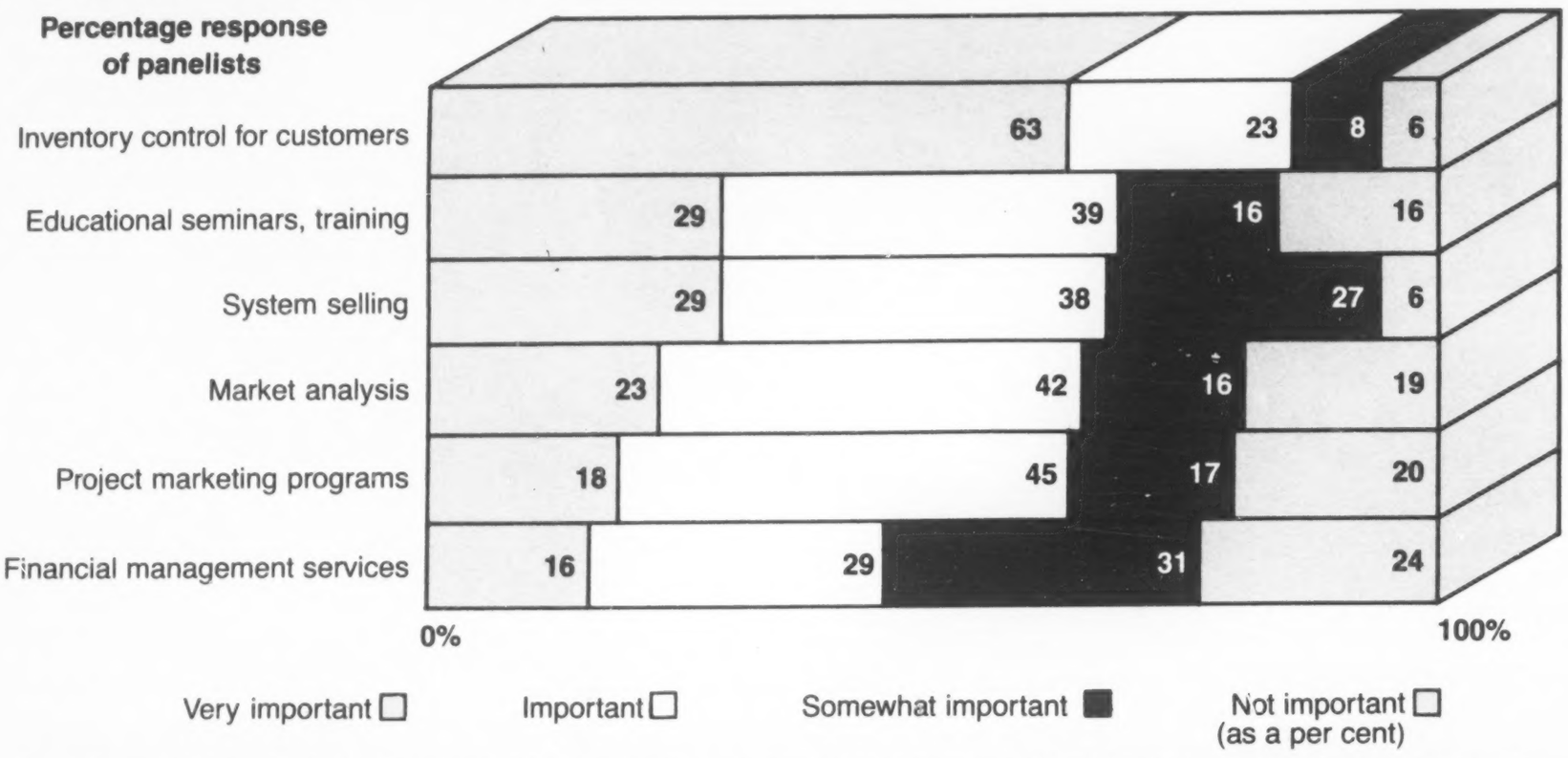
Importance of wholesaler-distributor service opportunities to suppliers and customers in the 1980's



Over the next decade, inventory control is seen as the most important "value-added" service wholesalers will perform for manufacturing and retail customers, according to 250 industry panelists surveyed in a new study evaluating wholesale-distribution trends through the 1980's.

Source: Arthur Andersen & Co., The Distribution Research and Education Foundation

Competition means larger menu of services

Wholesalers will have to offer retailers a more diversified menu of services to help them compete against larger dealers capable of handling internal management themselves.

A new study done for the National Assn. of Wholesale-Distributors found that retailers will rely most heavily on wholesalers for inventory control, which 63% of the study's 250 panelists described as a "very important" service. Another 29% of the panel thought educational seminars and systems selling were also important wholesaling functions distributors would need to develop further for dealers.

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Wholesaling

(Continued from page 36)

By 1990, wholesalers with sales of more than $20 million are expected to make up nearly 80% of the industry's total volume, with firms having revenues of less than $20 million becoming more vulnerable to being acquired by or forced to merge with larger companies to survive.

Acquisition or merger may, in fact, be the only option for some companies looking to grow: while the study still saw internal cash from operations as being a wholesaler's major source of growth capital, short- and long-term loans from banks were viewed as an important secondary source. And wholesalers, to obtain financing from banks, will have to overcome a longstanding problem of communicating the needs of the industry and potential return available to the banking community. More than 75% of the survey's panelists thought the current level of understanding between wholesalers and their bankers could be a significant impediment to obtaining capital.

Niebling conceded that some lumber wholesalers were, in fact, "operating at the whims of their bankers," but thought that the smaller independent had more flexibility to finance his expansion over vertically integrated giants owned by large manufacturers, many of which have amassed huge debts because of the collapse of the housing market.

While he, Sparks, Fernley and O'Dowd mentioned other areas in which their memberships' trends were not in line with the study's findings, they all concurred that it was very useful in bringing to the forefront common points all wholesalers could use to improve their operations.

"When you do a comprehensive study like this, there's always the chance you'll be dead wrong," said NBMDA's O'Dowd. "But we feel the NAW study, by and large, is an accurate reflection of the trends we're seeing among our members."

Copies of the complete text are available for $50 by writing The Distribution Research and Education Foundation, Dept. FT, 1725 K St., Washington, D.C.

Show Special

MERCHANDISING OUTLOOK '83

1st Winter Nat'l Hardware & Home Center Show premieres in Vegas

New trade shows herald Western market boom

By Brad Altman
NHCN West Coast editor

LAS VEGAS, Nev.—The debut of two major trade shows this year, beginning with the Winter Hardware Show this month and the Western Home Center Show in October, has sparked new interest in the growth of the western market.

While many home center dealers still debate whether the West is, in fact, booming, there are indeed numerous signs that this region will garner the focus of attention in the 1980's—the way the South did in the 1970's.

Consider these facts:

- In the West, single and multifamily housing starts will grow at a faster rate in 1983 than in any other region. The National Assn. of Home Builders projects that 168,147 new homes will be started this year in the top 29 metropolitan markets collectively in the West —a 20.2% rise over last year's starts, but still 2.5% below 1981's figure of 172,-395. Starts in those markets totaled 139,878 last year, a 19% decline from 1981, the NAHB reported.
- Many western home center operators have committed themselves to a slow-but-sure expansion schedule this year after a period of maintaining the status quo and concentrating on shoring up existing units. This flies in the face of the contention that the West is oversaturated and overstored, and indicates that retailers are cautiously optimistic that declines in interest and home mortgage rates will continue.

(Home center operators with new-store plans on the drawing boards this year run the gamut from rural contractor-oriented yards to urban, high-volume, cash-and-carry merchandisers. They include Seattle-based Ernst Home Centers, operator of Von Tobel home centers in Las Vegas, which is adding two stores to its existing 75; 13-unit National Lumber of Santa Ana, Calif., adding one store; 77-unit Copeland Lumber Yards, Portland, Ore., increasing by five units, and five-unit Homeowners DIY Centers based in Gardena, Calif., adding two units.)

- Significantly, the West continues to lead in dollar sales volume. Ten of the top 25 metropolitan areas in sales of retail building material and hardware items are in the West. Los Angeles County (No. 1 nationally) rang up 1981 sales of $1.34 billion, according to a study by Sales & Marketing Management. The South, by contrast, had only four metro areas in the top 25.

Population trends give ammunition to those who claim the West is the last frontier for home center industry growth. The West's main competitor for that distinction is the South, which includes fast-track Texas and Florida. In fact, the South's growth rate will be greater than the West's in the 1980's, according to the Commerce Dept.'s Bureau of the Census. By 1990, the population in the South will be 83.5 million, a 14.5% gain over its 1980 population. The West, however, will increase its population by 14.3%, to 46.3 million. In contrast, Census Bureau data shows that the North-Central states' population will increase 5.1% by 1990 to 61.4 million while the Northeast will record only a 4% gain, to 51.8 million residents.

Though the South is expected to squeeze past the West in population rate gains this decade, the West was the fastest-growing region in the United States from 1970 to 1981, census data showed. The West increased its population by 26.7% in the last decade—double the national average. The South grew 22.4%; North-Central, 4%, and Northeast, only 0.5%.

In the Western region, the Census Bureau projects that Nevada will lead the rate of population growth this decade, increasing its 1981 population by 20.8% by 1990. Nevada is followed by Arizona, projected to register a 19.4% population gain by 1990; Colorado, 17.3%; Wyoming, 16.2%; Montana, 13.5%; New Mexico, 12.3%; Idaho, 12%; California, 7.6%; Utah, 6.7%; Oregon, 5.4%, and Washington, 4%.

Nevada was the fastest-growing state in the nation in the 1970-81 period, boosting its population by 63.5%. Other western states and the percentage increase of population in the last decade were Arizona, 53.1%; Wyoming, 41.6%; Utah, 37.9%; Idaho, 32.4%; Colorado, 30.7%; New Mexico, 27.8%; Oregon, 25.9%; Washington, 21%; California, 18.5%, and Montana, 13.3%. Government statistics show that the West had 19.3% of the total United States population in 1981, an increase from 17.1% in 1970.

Of the 25 metropolitan markets in the United States that recorded the largest population percentage increase from 1970 to 1980, 10 were in the West, 15 were in the South—five in Texas and 10 in Florida. Western metro areas that grew most were Las Vegas, increasing population by 69.1%; Fort Collins, Colo., 66%; Reno, Nev., 60.2%; Provo-Orem, Utah, 57.7%; Phoenix, 55.6%; Boise, Idaho, 54%; Richland-Kennewick-Pasco, Wash., 53%; Tucson, 51.2%; Santa Cruz, Calif., 51.0%, and Santa Rosa, Calif., 42.7%.

The growth in the Western region emphasizes its desirability as a place to live, a popularity that makes it more expensive to buy a home in the West than any other part of the country. According to a 1981 survey by the United States League of Savings Assn. released last year, the median price of a home in the West was $94,985, compared with $72,500 in the South, $66,898 in the Northeast and $60,000 in the North-Central states. The median monthly expense of owning a home, including mortgage payments, real estate taxes, utilities and insurance, was also highest in the West: $1,011 a month, compared with $837 in the South, $783 in the Northeast and $689 in the North-Central region.

At least in part because of pent-up demand for housing, home center operators in the western United States face some formidable challenges as they move toward the midpoint of the 1980's.

Some retailers point to market saturation as being a potential danger to future growth. They assert it has forced profit margins to slip as western home centers increasingly strengthen their in-store promotions to combat the increased competition.

One executive of a home center chain with operations throughout California acknowledged that profit margins are being squeezed, but he placed the blame on the region's recession and high unemployment. He declared: "People are more price-conscious and that has a greater effect on your margins than the competitive situation."

Western home center retailing often is characterized as setting the trends for the rest of the country, observed one retailer based in California. "There seems to be a greater tendency among manufacturers to try new things here," he commented. "Rightfully or wrongfully, we have the reputation of being a starting place of a number of fads."

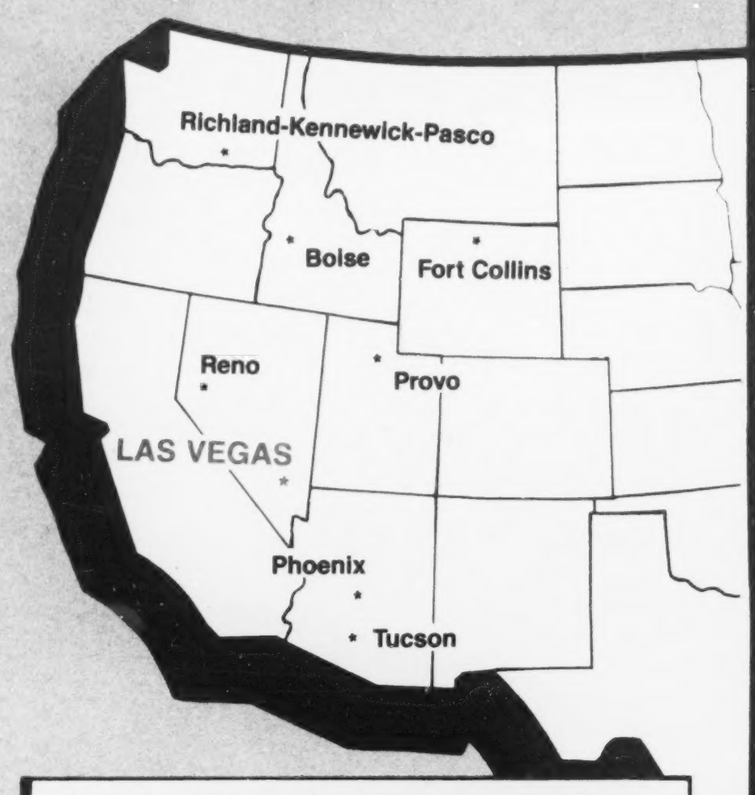
Some retailers believe there really isn't much difference in retailing strategies among home center operators in different regions. "It's more the result of temperature variations than anything else," said one merchandising manager, asserting that the kerosene heater and ceiling paddle fan phenomenon have not yet captured the fancy of the western DIYer to the same extent as they have in colder or higher humidity regions.

Northwestern states have been hard hit by the lumber slump, putting some cities in a deep freeze as far as economic expansion is concerned. Indications are that a thaw is beginning.

In the West, however, some markets are hot and others cold, said Richard Cushman, a group vp for Diamond In-

(Continued on page 16)

The Western Market



Testament to the phenomenal growth of the Western market: Of the 15 fastest growing metro areas in the past decade, over half are located in the West, with Las Vegas, site of the 1st annual Winter National Hardware & Home Center Show, ranked No. 2.

Fastest growing markets in the 1970's

Rank	Metro Area	Per cent increase 1970-1980	Population
1	Fort Myers-Cape Coral, Fla.	94.2	204,314
2	**Las Vegas**	**69.1**	462,218
3	Sarasota, Fla.	67.5	201,731
4	**Fort Collins, Colo.**	**66.0**	149,278
5	Fort Lauderdale-Hollywood, Fla.	62.2	1,005,507
6	Bryan-College Station, Tex.	61.2	93,487
7	**Reno, Nev.**	**60.1**	193,870
8	West Palm Beach-Boca Raton, Fla.	58.2	551,961
9	**Provo, Utah**	**57.7**	217,281
10	**Phoenix**	**55.6**	1,511,552
11	McAllen-Pharr-Edinburg, Tex.	54.2	279,857
12	**Boise, Idaho**	54.0	172,843
13	**Richland-Kennewick-Pasco, Wash.**	**53.5**	143,287
14	Orlando, Fla.	53.3	694,645
15	**Tucson, Ariz.**	**51.2**	531,896

Source: Census Bureau; Sales & Marketing Management

'I could safely say we're overstored here. But part of that is anticipation of continued growth, so I don't worry too much about it.'

—Dean Drake, gm, O'Malley Lumber, Phoenix,

'I feel the Western States have super potential. We've got a lot of investment here and we think there's going to be tremendous growth.'

—Richard Cushman, group vp Diamond International Sacramento, Calif.

Big-name makers introduce line of DIY faucets

(Continued from page 1)

American Standard plans to display a fuller faucet line with a 10-year warranty at the National Home Center Show in Dallas, Tex., and will be using a team of 140 reps to solicit business from home center retailers around the country. In addition, Irvine said the company has developed an advertising and promotional campaign that would give retailers "added incentive to test our product in their stores. Our name alone is not going to sell Grace or Cotter & Co., but we think our promotional plan will at least get our foot in the door."

He noted that the second stage of the company's marketing effort would be to offer a broader assortment of plumbing fittings, with a fixture program sold directly to dealers being contemplated "down the road."

Retailers and competitive manufacturers were virtually all in agreement that the high-end faucet market has not been fully cultivated, but they claimed that American's chances of breaking into a retail product category already flooded with suppliers will depend on two things: its willingness to engage in what will likely be a very expensive advertising campaign, and its ability to make a name for itself in a product in which it has no DIY image.

"There very definitely is a market for upscale DIY faucets, and our product placement and sell-through have proven this," said Burgess of the Indianapolis-based Peerless. "I would guess, though, that for American to make it, it would have to take some market share from us and Stanadyne and other suppliers, so advertising will definitely be the key."

(Irvine commented that American's advertising expenditure in this program would be "equal" to Peerless', or roughly $1.5 million.)

"The trend toward the high-end has been determined by making the price reasonable for the consumer to trade up to," said Bob Jewell, consumer products marketing manager for Kohler Co., Kohler, Wis. "He has to accept the difference in quality between a $40 and $80 faucet." Jewell also felt the retail price threshold, even at the high-end, for faucets was around $125.

Kohler carries about 20 sku's of faucets, ranging in price from $45-$90, that are sold solely through wholesalers. Jewell said Kohler had no immediate plans to change its method of sale and distribution because of American's new marketing strategy.

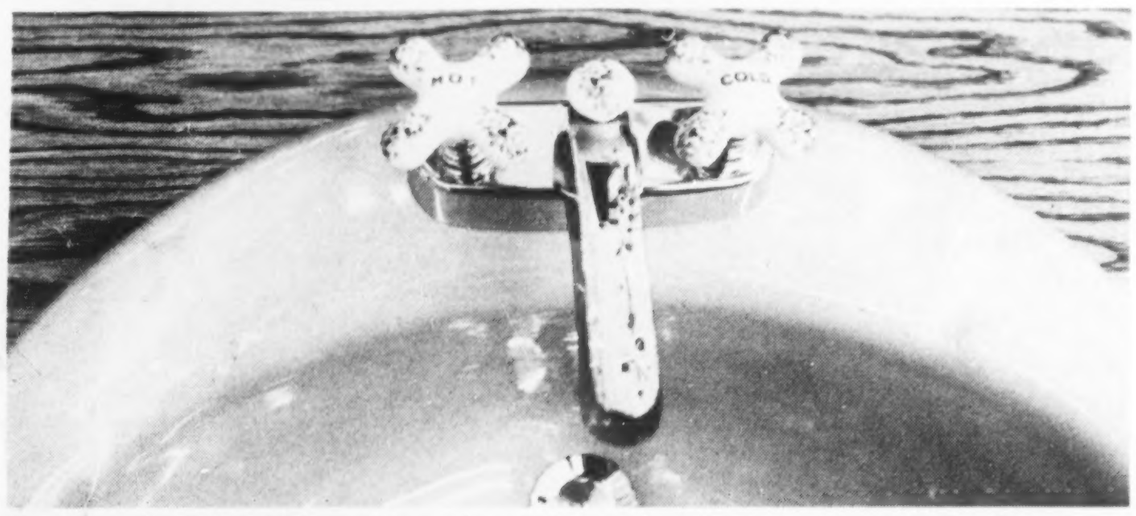
Burgess added that the retail faucet market was "extremely fragmented, which should work to American's advantage, although a lot will depend on how much market share it envisions it will take for the program to be a success."

One company whose market share American might be aiming at cutting into is Artistic Brass, Los Angeles, which has established a strong reputation on the West Coast as one of the premier marketers of high-end faucets to the DIY retailer. Artistic's marketing vp, John Forbes, acknowledges the potential impact that the entry of American might have on the high-end market, but he declined to discuss any marketing strategy with *NHCN* for fear of tipping off his competition.

"I still think it will take them at least two years to develop a position in the market we have now."

He conceded, however, that American's established network of 1,000 distributors would be a plus to their marketing a higher-end faucet, but insisted its products were not up to the standards of his company's models.

The question remains, however, just how large the high-end pie really is, and whether there is enough dollar volume to be sliced up among the various producers queuing up to get into home center outlets.



An example of the high-end faucets retailers report their customers are asking for. In response to this demand, several of the larger plumbing manufacturers, most recently American Standard, have developed higher-priced faucet programs that dealers can buy direct. NHCN photo

"I'm positive the high-end faucet market exists, but it's still small, 5%-10% of total market volume," said Dale Denniston, buyer for the 100-unit Scotty's, Winter Haven, Fla. He explained that the chain tested Peerless' Designer faucets last year, "but we didn't do particularly well with them; we sold some at very strong margins, but not enough to justify retaining that expensive line."

Denniston felt American will have to offer both its fittings *and* fixtures directly, to eventually capture a sufficient piece of the DIY market.

In addition, he observed, it might be "smart" for American to change the name of the product it retailed from the one it sold through distributors (as Delta, with Peerless, and Valley, with AquaLine, have done) so as not to alienate its wholesale customers.

"At retail, even at the high end, things sometimes get down and dirty and a retail store's prices might be less than a distributor can buy the product for, which causes tension between him and the manufacturer."

He said he was willing to talk further with American Standard reps, but confessed that he had no room for the high-end faucets in his current product selection, "which doesn't mean I won't in the future."

One Northeastern chain said it has been carrying six sku's of American's faucets, and one toilet, for several years, and would continue to buy through a wholesaler despite American's direct shipment offer.

"With American's probable drop shipment charges, and the commission for the reps, we think we can buy its faucets from our distributor for 20% less than what it would cost us to go direct," said the chain's plumbing merchandise manager. "But I don't think American is making a mistake by going direct because no matter where it places its faucets, they will sell."

However, he noted that, because American does not allow its customers to waver from its price list, "we have not been able to get the kind of margins we need to sell the product as profitably as we'd like," claiming that the margins on American Standard's high-end faucets in his stores were "from 8%-12% lower" than the average for the chain's 70-sku faucet program.

The merchandise manager also disagreed with Denniston's assertion about American possibly changing its name to assuage its wholesale clients. "If it does that, it will just be selling another faucet line, and there are more faucets on the market right now than we know what to do with. American's biggest asset is its name."

Some retailers are not all that convinced that the company's reputation, which one dealer called "the best in the industry, without question," would carry enough weight with consumers looking for high-end faucets. "What American would have to do, if it wants to sell our chain," said Lyle Gregory, buyer for Lumberjack Stores, Sacramento, Calif., "is glamorize the product and make the market bigger than it is now, and that takes advertising—a lot of it."

Gregory added that developing a retail program for a new product was "hard work," and that price would continue to be an important consideration before Lumberjack would take on higher-end faucets. "The meat of the market is still at the middle price point," he said.

However, at the independent Stripling-Blake, Austin, Tex., which sells $1,000 bidets and $4,000 bathtubs, high-end faucets fit right into its product mix, according to buyer Albert Uhrig. "I do a 15-minute weekly clinic on a TV show 'Good Morning Austin,' and I always tell people it's better in the long run to buy the more expensive plumbing product."

Uhrig took on a high-end faucet line last Nov. 1, and said he has been having difficulty selling off the low-end brand the store is dropping, "which proves to me at least that customers aren't interested in buying the lower-priced stuff anymore."

He noted, though, that he saw little difference between buying direct or through a wholesaler—claiming that the margins on the product did not change perceptibly. He also felt that, in American Standard's case, a more important element in its marketing would be to insure product availability throughout the year. "We carry one manufacturer as our midrange faucet supplier, and had some delivery problems in December, which you run into with almost every supplier."

Bruce Feinstein, merchandising vp for the eight-unit Eclipse Industries, St. Louis, agreed with Uhrig and included supplier flexibility, along with pricing and advertising, as the ingredients that would determine whether American Standard's program gets off the ground.

"The company's well-known name will definitely help, but the faucets also will have to have beautiful designs and be different from the rest of the pack," he said. "But there's no question that if you can offer a value to consumers, they will pay extra for quality."

Feinstein thought American would have a difficult time breaking into the high-end DIY faucet market anyway, and pointed to the "superior" job Peerless did when it introduced its high-end faucet line as one example American might follow. "There are a lot of suppliers out there, and American will have to come up with something unique to sell most home center chains," he said.

New trade shows debut in booming Western market

(Continued from page 13)

ternational, which operates 55 home centers in its Western division. "From our vantage point things have been very weak in the last couple of years in much of our western trading territories," Cushman commented. "But there are exceptions, such as Colorado Springs. Conversely, retail sales have been in the pits in our Reno store. A number of lumberyards in that town have just been holding on by their fingernails."

At O'Malley Lumber in Phoenix, general manager Dean Drake asserted that the Phoenix-Tucson area is "overstored. But part of that is anticipation of continued growth so I don't worry too much about it."

Cushman said that "looking to the future, I feel the western states have super potential. We've got a lot of investment here and we think there's going to be a tremendous amount of growth. We're betting on it."

Still, one home center executive, looking at the West Coast in a broader perspective, commented, "Some of your more profitable home centers are on the East Coast, if you take a look at the P & L's."

Las Vegas, the 2nd-fastest-growing metro area in the nation, is the site of the first annual Winter National Hardware and Home Center Show. NHCN photo

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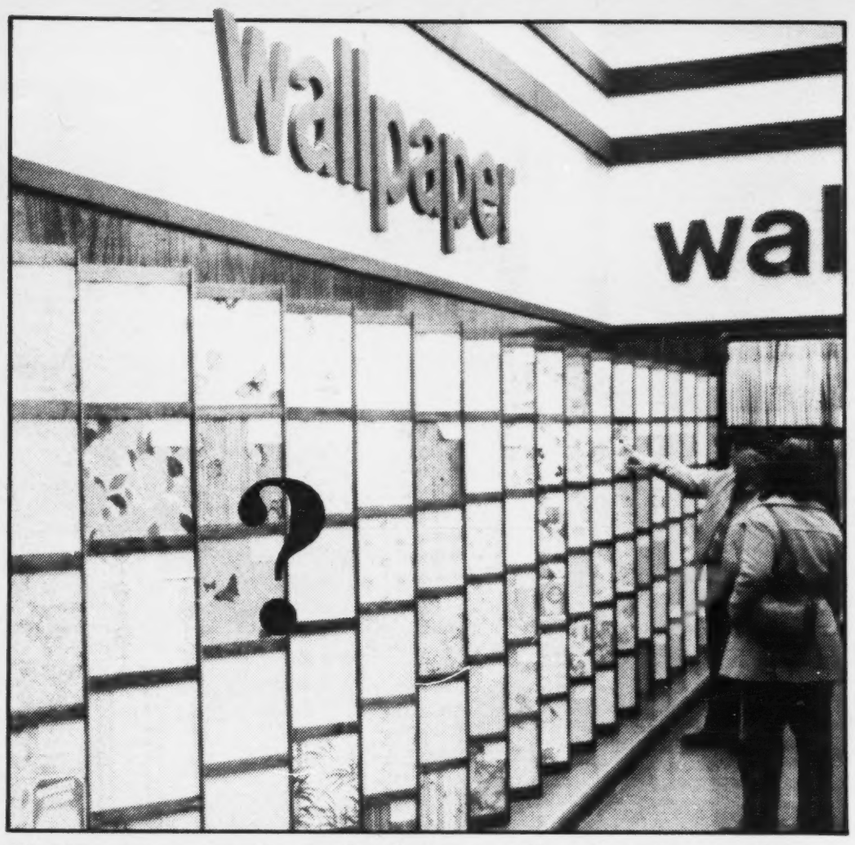
MERCHANDISING SPOTLIGHT:



Customers scan the selection at a Gee Lumber outlet: Is wallpaper on its way out as a staple home center product?

Some chains reassessing wallpaper departments

By John Caulfield
NHCN associate editor

NATIONAL REPORT—The importance of wallpaper as a staple home center product is coming under serious question as a number of major chains have either dropped the product or have dramatically reduced their inventory of roll goods in the past year.

While Hechinger, The Home Depot, Pergament, Somerville Lumber and the W. R. Grace chains are among home center companies maintaining strong in-stock positions with wallpaper, and a good portion of the industry continues to offer a representative sampling of patterns in their stores, a surprising number of chains are thinking otherwise.

Wickes Lumber, Chase-Pitkin, Grossman's, Handyman, Ernst, 84 Lumber, Hugh M. Woods, Ole's, Homeowner's DIY, Lampert Lumber, Peter Kuntz and Goodman Lumber, to name only a few, either no longer stock the product or are in the process of dropping it from their stores.

"With Wallpaper To Go and specialty chains like it competing against our stores, we just weren't able to sell wallpaper

(Continued on page 32)

NEWSBREAKS

LUCKY 13. Two more Handy Andy Home Improvement Centers are scheduled to open in late spring or early summer to bring the chain's store count to 13. The stores will debut in Crest Hill, Ill., in a former Gaylord's discount store and in Schaumburg, Ill., in a former Woolco. Indoor retail space will be 60,000 and 55,000 sq. ft., respectively.

MARCH ON MILWAUKEE. Milwaukee's first 80,000-sq.-ft.-85,-000-sq.-ft. Menard Cashway Lumber, apparently with enough warehousing space to serve additional Menard's stores in the market, is scheduled to debut next month.

INSIDE:

DESPITE A SURGE in new home building at the end of the year, housing starts for all 1982 reached their lowest point since 1946 ..... Page 2
WOLOHAN'S SALE of its Columbus, Ohio, store to Sutherland Lumber sets the stage for new home center activity in this Midwest market ..... Page 3
COAL AND WOOD BURNING STOVES now fall under new C.P.S.C. safety label requirements ..... Page 3
RETAIL TRADE will outgain other sectors of the United States economy in 1983, according to a new report ..... Page 3
SCOTTY'S REPORTED solid 2nd quarter earnings and sales gains ..... Page 4

Specialty stores challenging home centers for DIY trade

New survey says more competition will dampen DIY growth rate

By Wyatt Kash
NHCN editor

CHICAGO—Home center retailers should expect slower growth for the do-it-yourself market, and increasing competitive pressure from specialty stores, and other retail industries now trying to sell DIY products, warned Bradley T. Farnsworth, executive director of the DIY Research Institute, during an industry presentation here last month.

As estimated 73.5% of the nation's adult population said they had engaged in do-it-yourself home improvement and repair activities during the previous 12 months, according to survey results released during the meeting.

However, Farnsworth noted that far more growth in DIY business would come from prodding existing do-it-yourselfers to tackle more projects, than from converting non-DIYers into home handymen and -women.

When queried about their future intentions for do-it-yourself activity, for example, three-fourths of those respondents who classified themselves as non-DIY consumers indicated no interest in undertaking new DIY projects.

"Essentially," said Farnsworth, "these people are saying 'I'm not a do-it-yourselfer, and I'm not going to be one.'"

In contrast, of consumers who considered themselves do-it-yourselfers, 30.3% expect to undertake "more" DIY projects than they currently tend to tackle, and another 12% planned "much more" DIY activity; 39.4% said their future level of activity would remain "the same."

Nearly three out of every five non-do-it-yourselfers are 55 years and older, survey figures show, while the largest proportion of DIYers are between the ages of 30 and 54. As a result, noted Farnsworth, there is not much room to expand the proportion of adult DIYers due to the growing number of people who are plowing each year into the older age segments of the population.

While Farnsworth indicated that as a result of this trend, the booming growth of the do-it-yourself market would be less dramatic in the years ahead, the DIY Research Institute itself provided no definitive sales growth projections.

(Continued on page 7)

Top 20 items purchased at home centers by DIYers*

Product	Per cent of DIY consumers
Kitchen sink	57.3
Paneling	51.5
Lumber	50.8
Ceiling tile	49.1
Insulation	48.3
Cabinet hardware	38.2
Weather stripping/ caulk	37.2
Roofing/shingles	36.8
Fasteners	36.2
Kitchen faucets	34.7
Bathroom vanity	34.6
Drywall	33.1
Light switches	32.6
Bathroom faucets	32.4
Electrical wiring/ outlets	30.3
Toilet/repair parts	30.0
Varnish/stain	29.9
Downspouts/gutters	29.2
Window screens	29.1
Exterior doors	27.8

*By level of intensity based on telephone interviews with 1,997 consumers in 1982

Source: Do-It-Yourself Research Institute, 1982 Baseline Survey of the DIY Consumer

Of all kitchen sinks purchased by DIYers in the past 12 months, 57.3% were bought at home centers, more than at any other type of outlet.

National Home Center Show preview:

Expect heavy buying in Dallas

DALLAS—Like its predecessors, this year's eighth annual National Home Center Show will serve primarily as an event where home center retailers can establish old and new vendor relations, discover new products, solicit co-op funding and exchange ideas with competitors.

There are several industry executives, though, who said they would attend the show, returning to Big D after a three-year absence, specifically to place orders with, and squeeze extra ad dollars from, some of the over 1,200 vendors exhibiting on the floor of the Dallas Convention Center from Feb. 27-March 2.

Most chains contacted will be sending fewer people to Dallas than to past shows, and retailers indicated they would have less time to devote to the 13 business seminars the show's sponsor, Vance Publishing, has organized for the four-day fete. Some dealers even questioned the value of the seminars for their companies, but the majority said that someone from their chains would attend at least a few of the panel discussions.

Traditionally, the Home Center Show has afforded retailers the opportunity to absorb as much as they can from vendors, distributors and competitive peers about what is going on throughout the industry. "At what other time can you accomplish in one fell swoop what otherwise would take you and your buyers a year to do?" asked Bernie Marcus, chairman of the 10-unit Home Depot, Atlanta.

The five or six buyers and executives Home Depot sends to the show will, according to Marcus, have as their primary objectives the search for "new ideas," and to meet with key

(Continued on page 96)

Lowe's hits $1 billion sales at close of fiscal 1982

NORTH WILKESBORO, N.C.—Telephone operators at Lowe's here probably said it best on Jan. 17 when they were able to change their greeting from "Bust-a-Billion" to "We did it."

On that date, Lowe's became only the second home center entity to reach $1 billion in sales in a fiscal year. By the close of the year at the end of last month, Lowe's officials were expecting to report annual sales of between $1 billion and $1.1 billion.

The only other home center company to reach $1 billion in volume was Wickes Lumber which did it in several recent years and peaked at $1.4 billion in its fiscal year ended Jan. 26, 1980.

In another development, Lowe's officials announced that they plan to offer 1.5 million common shares to the public to use for expansion of the 235-store chain and to fund working capital requirements. A prospectus concerning the offering also mentions the development of three store prototypes of varying sizes and marketing purposes to emphasize retail business.

Clayton A. Griffing, Lowe's senior vice president finance,

(Continued on page 96)

NHCNews Briefs

Industry Update

Stambaugh to add 3 new stores

AKRON, Ohio—Stambaugh-Thompson, the 17-unit Youngstown, Ohio, chain, announced plans to open three new stores here. The outlets, the first that the chain has opened in three years, are expected to come on line by April, according to Philip Thompson, president.

The stores are expected to average 26,000 sq. ft. and carry a complete line of building materials. The chain recently completed a 20,000-sq.-ft. addition to its Austintown, Ohio, store, giving the store 40,000 sq. ft. of selling space, including the chain's first major indoor/outdoor nursery.

The chain also announced plans to build a 40,000-sq.-ft. prototype store in Warren, Ohio, including a 1½-acre nursery, slated to open in the spring of 1984.

Wickes sells Maxwell division

SANTA MONICA, Calif.—Wickes is continuing to shed itself of businesses, most recently signing an agreement for the sale of its Maxwell Furniture division to Maxwell Bros. for in excess of $10 million in cash and announcing the closing of its Chicago-based Aldens catalog merchandising company.

Both Maxwell and Aldens came to Wickes in the 1980 acquisition of Gamble-Skogmo.

The sale to Maxwell Bros. involves 72 stores in the Carolinas, Georgia and Alabama with sales of about $40 million in the fiscal year ended Jan. 29, Wickes officials said.

The Maxwell group of stores was formerly owned and operated by the Maxwell family. In 1968, it was sold to Family Finance which became part of Gamble-Skogmo in 1977.

The sale is subject to creditor committee review and court approval.

Earlier, Wickes said it was closing Aldens after efforts to sell the business were exhausted, officials said.

"With the capital infusion and other resources required to attempt to turn the business around, the risk was too great to proceed," they said. "We had no choice but to proceed with the wind down."

By the end of the month, Wickes expected only to have a few hundred Aldens employees left, down from 2,500 in January 1982.

Scott's set to control expenses

LINTHICUM, Md.—Scotts Seaboard, parent company of 17-unit Scott's, has implemented a "belt-tightening" program to help control expenses, according to Earl R. Halterman Jr., president.

The program includes a moratorium on capital spending and reductions in payroll costs, officials said.

Halterman noted that the payroll controls include trying to limit part-time help, a freeze on hourly wage increases and management salary reductions ranging from 5% to 16%.

Another expense control has been the implementation of winter store hours, he said. From prior to Christmas through February, Scott's stores are now opened until 8 p.m. instead of 9 p.m. as was past practice.

The moves come as the company continues to make strides in rebounding from early fiscal 1983 deficits and in digesting the acquisition of seven Frank's Hardware units in the latter portion of 1981.

Primarily as a result of the Frank's acquisition, interest expense for the parent in the first three quarters of fiscal 1983 was up from $495,000 in the previous year to $939,000, Halterman said.

Scotts Seaboard, which also operates wholesaler Seaboard Plywood and Lumber, South Windsor, Conn., incurred a net loss of $590,000 in fiscal 1982, ended Jan. 30, 1982, essentially because of the Frank's acquisition. The company suffered a first quarter net loss of $416,000 in fiscal 1983.

It was profitable in the second and third quarters and had cut its losses through the first three quarters to $332,000.

In the period, Scott's stores' operating profit was down 35% to $344,000 compared to year-ago figures.

The mood was definitely upbeat on the floor of the Houston Astrodome where home builders and several major retail chain officials attended last month's National Assn. of Home Builders convention in Texas. Exhibitors commented on the strong buying interest which many hoped would materialize into sales increases in the 2nd quarter. Among the chains sending representatives were Pay 'N Pak, Lowe's, Moores, Scotty's, the Home Depot, Handy Andy, Wolohan Lumber, and Goodman Lumber. NHCN photo

Late year home building surge fails to lift '82 housing figures

WASHINGTON—For the nation's housing industry, and indeed, the entire United States economy, 1982 will go down in the record books as having been the worst year for new home construction since 1946.

Despite three consecutive months of sharp increases in the rate of new home starts during the final stretch of 1982, the nation's home builders collectively started only 1,061,000 new housing units last year.

The estimated Commerce Department tally came after its release of December housing figures, which showed a 13% decline from November's seasonally adjusted annual rate of new home starts, to 1.22 million units.

Major flooding in the South—where more than 57% of all starts occurred in 1982—and unseasonally heavy rainfall in many other regions were cited as responsible for December's sharp decline.

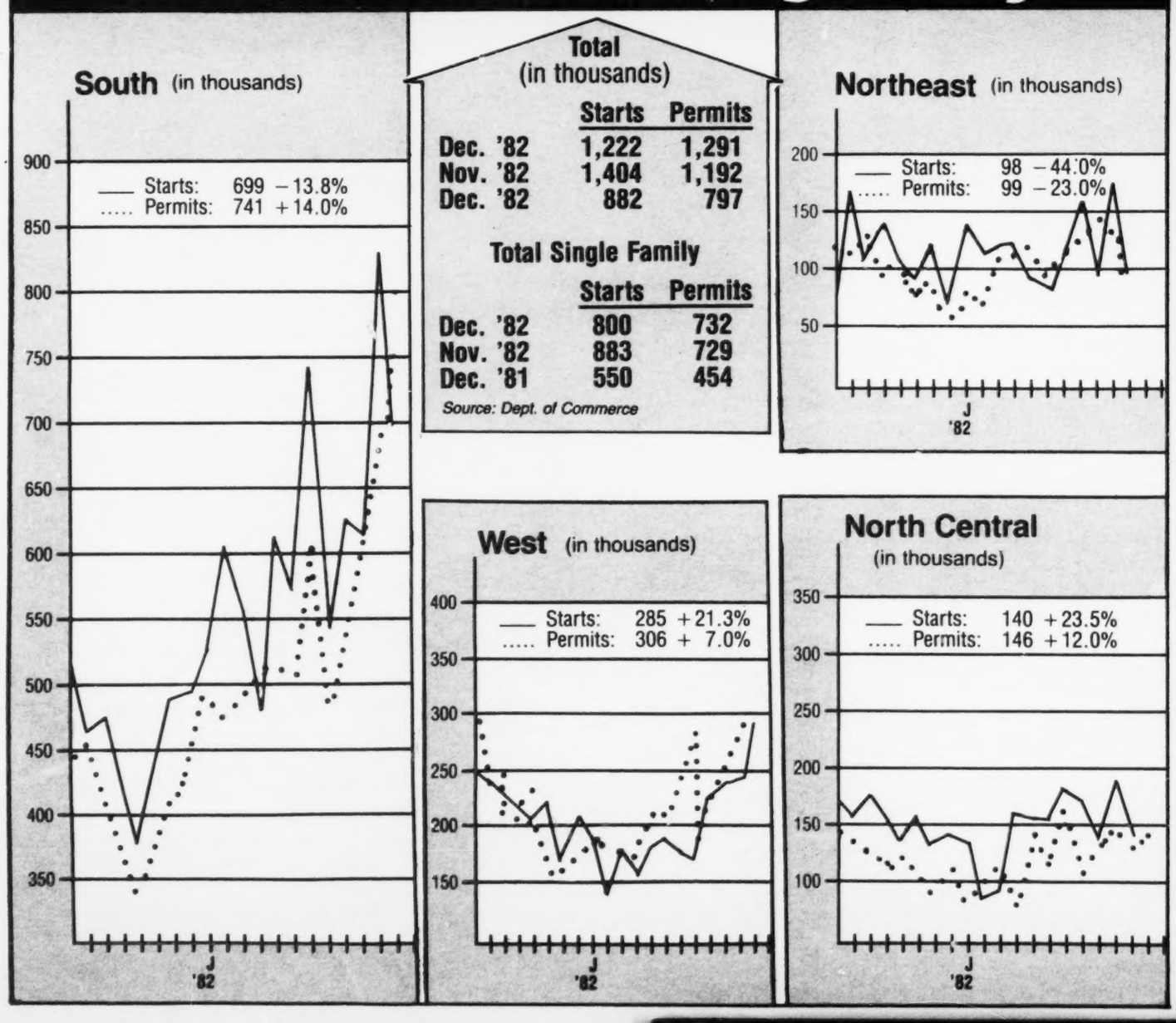
Single family housing starts also fell that month by 9.4% from November figures to an annual rate of 800,000 units, while multifamily dwellings plunged 19% to a rate of 422,000.

However, there was some cause for optimism that future construction might steadily improve in 1983. Building permits, an indicator of construction activity in the next months, rose 8% in December to an annual rate of 1.291 million units, and single-family permits inched down in December only 0.4% to a seasonally adjusted yearly rate of 732,000.

And mortgage interest rates dropped 4.8% in December and 12.5% for 1982, which could be a shot in the arm to the housing industry that suffered under the weight of 17% interest rates only last summer. Mortgage declines were a major factor in pulling down the Consumer Price Index 0.3% in December

(Continued on page 95)

December home-building activity



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FINANCIAL NEWS

STOCK PRICES

	As of 1/24	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	35¼	41¾	19¾	136
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	11⅝	17¾	4⅞	—
Forest City (AMEX)	18½	19	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	41¼	45½	28½	6
Lowe's (NYSE)	28⅞	37¼	12¾	25
Pay 'n Save (Nasdaq)	34⅛	36¾	16½	—
Payless Cashways (NYSE) [Furrow]	38¼	50¾	15¼	20
Scotty's (NYSE)	27	31¾	12	17
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	11⅞	15¾	7¼	—

Over-the-counter stocks

	As of 1/24 Bid	Asked	52-week High (Bid)	Low (Bid)
Erb Lumber	12½	14½	16¼	7½
Hechinger	19¾	20	38½	12⅛
Hines Lumber	18	19	20	13
The Home Depot	26	26¼	30¾	5
Pay 'N Pak	19⅛	19⅜	23¾	11⅝
Scotts Seaboard [Scott's]	1	2	2¼	⅝
Wolohan Lumber	6⅛	6⅜	7⅛	3

Scotty's earnings increase 16%, sales climb 14% in 2nd quarter

WINTER HAVEN, Fla.—Scotty's rode its first comparable store and builder sale increases in more than a year during its second quarter ended Jan. 1 to help post a 16% earnings gain and a 14% sales hike, chain officials said.

Net income in the period grew to $1,668,000 while sales jumped to $80,363,000, including $30.8 million in the five-week period ended Jan. 1.

In stores opened for at least one year, sales were up 5.2% from the second quarter of fiscal 1982.

Builder volume increased 14.7% in the quarter from year-ago figures to account for 23.8% of the chain's total volume.

It was the first time since the first quarter of fiscal 1982 that either the comparable store or contractor sale figures were up from their previous comparable periods.

In addition to the favorable sales gains, chairman James W. Sweet attributed the earnings increase to expense and inventory controls.

The earnings increase left security analysts a bit disappointed, however, since it was against a weak fiscal second quarter of a year ago.

Barbara Alexander of Smith Barney, New York, noted that there were several factors which limited the 100-store chain's gross margin growth from 29.04% a year ago to 29.27% in the most recent quarter.

She explained that Scotty's margins were affected by a $150,000 write-down on ceiling fans already in inventory to mark them at market levels, by the increased volume with contractors, and by a more promotional thrust which was "a deliberate move on management's part to increase volume in a period leading to a housing upturn."

Also affecting the bottom line, she noted, was a 20% increase in stores in operation from a year ago. While the stores are building volume and better returns, normal expenses drain some profit.

In another development, Scotty's has declared and distributed a 50% stock dividend. Sweet said one of the prime motivators for the stock split and dividend was to make Scotty's stock more readily available to the public.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Boise Cascade	12/31-4th qtr. 12/31-Year	$ 720,910 2,912,450	$ 728,290 3,107,360	– 1 – 6	$ 7,640 7,250	$ 37,240 120,080	– 79 – 94
Lowe's	12/25-4 wks.	79,200	58,500	35	—	—	—
Pay 'N Pak	11/30-3rd qtr.	51,755	51,699	—	2,124	2,079	2
Payless Cashways	11/27-4th qtr. 11/27-Year	179,703 602,666	129,452 478,779	39 26	8,130 23,079	5,204 16,632	56 39
Rickel Home Centers	10/30-3rd qtr.	58,466	47,232	24	—	—	—
Scott's	10/30-3rd qtr.	7,126	4,989	43	212**	– 10**	—
Scotty's	1/1-5 wks. 1/1-2nd qtr.	30,838 80,363	24,935 70,290	24 14	— 1,668	— 1,441	— 16

*$ in thousands
**operating income

Changeovers slowing Pay'N Pak growth

KENT, Wash.—A continuing conversion in 11 of Pay 'N Pak's 90 stores from automotives and sporting goods to merchandise including lumber and building materials, lawn and garden supplies and expanded kitchen and bath displays has slowed the chain's growth through recent quarters of its fiscal year ending Feb. 28, officials said.

While net income grew only 2% in the third quarter ended Nov. 30, 1982, to $2,123,603, the figure is down 8% for the chain's first three quarters from the previous year to $4,991,188, they said.

Sales have been up only marginally in the periods with third-quarter volume barely increasing to $51,754,818 to help push sales for the first three quarters up 4% to $148,632,899 compared to the same periods a year earlier. The slim sales gains came despite the addition of three more stores during fiscal 1983.

"Our decision to close out our auto and sporting goods departments has adversely affected company sales and profits since June of this [fiscal] year," said David J. Heerensperger, chairman and chief executive officer of the company.

"We closed out the auto and sports merchandise at reduced prices and gave up approximately 9% of the company's total sales volume in order to make the change. Six of the 11 stores have been converted from auto and sports to complete home centers, and I am happy to report that sales in these stores have increased an average of 25%."

He added that officials expected to have 10 of the 11 stores completely remodeled by the end of last month. The new merchandise makes the 11 stores "more of a one-stop home center," officials said.

Hechinger stock splits 3-for-2

LANDOVER, Md.—Hechinger shareholders last month approved a proposal to increase the number of the company's authorized common shares from 10 million to 30 million and thus triggered a 50% stock dividend in the form of a 3-for-2 stock split.

Hechinger officials had earlier announced the split but noted that it was contingent on shareholder approval of the increase in the authorized shares. The stock dividend brings the number of Hechinger common shares outstanding to 13.9 million.

In another development, Hechinger officials said construction is nearing completion on the 25% enlargement to the company's central distribution center here. The addition of 100,000 sq. ft. will enable the 34-store chain to serve up to 55 stores.

The chain has announced that its first three North Carolina stores would open this month and next.

Turn to Georgia-Pacific...
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